SYSCO’S BEST BUSINESS PRACTICES (BBP)

Teaching Cases

Daniel E. O’Leary
University of Southern California
Marshall School of Business
oleary@usc.edu

Abstract

The purpose of this paper is to present a case about SYSCO’s “Best Business Practices.” The analysis focuses on both the system and the impact of the system, particularly, the measurable effects and the overall organizational impact. Perhaps the most interesting issue is how a system for best business practices is used to manage a highly decentralized firm, and push the individual corporate entities to better performance, without requiring specific processes or best practices. Use of the system is illustrated through an example.

Keywords: knowledge management, best practices, best business practices, decentralization
Introduction

SYSCO has a saying, “A BBP a week keeps the competition meek.”

NIHBIDIA - Not Invented Here, But I Did It Anyway

SYSCO gathers the best of their business practices in a single digital knowledge base so that users in different business units can be made aware of the different business best practices, using a knowledge base that they call, “Best Business Practices.” Best business practices at SYSCO are so important that they have been embedded in SYSCO’s “Operations Standards of Excellence” (e.g., SYSCO Portland 2002): “WE WILL continue to identify and implement the best business practices, technologies and processes, to increase cost effectiveness through continuous improvement.” Not only are organizational units expected to continuously improve their operations with best practices, but SYSCO workers are encouraged to improve their skills and knowledge about business processes in a number of different ways. For example, associates also are encouraged to learn from one another through the so-called “best business practices” (BBP) intranet web site.

SYSCO

SYSCO is a multi-billion dollar food distribution company, based in Houston, Texas, in the United States. SYSCO procures and distributes food, food products and food services to restaurants in Canada and the United States. SYSCO has over 400,000 different customers, ranging from well-known chains, such as, Chili’s and Wendy’s to individually owned restaurants. Restaurants account for over two-thirds of their customers. In 2009 their revenues were $36.9 billion, placing them number 55 in the Fortune 500 based on sales volume.

Competition

SYSCO is the largest company in the category “Wholesalers: Food and Grocery.” In addition, SYSCO is one of the more rapidly growing large companies, since in 2002, when their revenues were $23.3 billion, meaning a growth of almost 60% in 7 years. In the United States, SYSCO competes with U.S. Food Service, Performance Food Group, and Edward Don and Company (Wikipedia). Internationally, SYSCO faces competition from J. Sainsbury, PLC (based in the U.K.), with sales of $28.5 billion, Loblaw Cos. Limited (based in Canada) with sales of $23.7 billion and Etablissement Delhaize Freres Cie Le Lion SA with sales of $23 billion (Sands 2006). In order to continue to grow and meet the competitive demands of these and other corporations, as seen in this paper, SYSCO has aggressively used technology to facilitate decision making and support the existing organization structure.

SYSCO Organization Structure

As noted by McAfee and Wagonfeld (2006), SYSCO is highly decentralized, with over 100 individual companies. Individual companies are responsible for making key decisions. Senior management treats the individual companies as independent businesses, with substantial autonomy, but the business units are still held accountable with responsibility for sales and profit (e.g., Johnson 2004). As a result, corporate management is not in a position to simply dictate organization-wide business practices and processes; instead, individual company management must be convinced that business process and workflow changes will provide an advantage.

Best Business Practices (BBP)

“If we only knew what TI knows” former CEO of Texas Instruments and “I wish I knew what we know at HP,” former CEO of Hewlett Packard (O’Dell and Grayson 1998)

Statements such as those immediately above, have led firms to build knowledge bases of best business practices designed to capture what firms do know and distribute that knowledge to others in their firm.
Unfortunately, organizations often literally do not know what they do know. The problem is particularly critical in those companies that are large and highly decentralized. In large companies information does not always find its way to those that need it, because of the distance it must travel and obstacles in the way. Further, since decentralized business units are run independently, with limited communication between different companies, there is limited knowledge flow. Accordingly, some firms have built knowledge bases that attempt to capture and share that knowledge, including knowledge about best practices.

Over the years a number of firms and organizations have implemented knowledge bases of best business practices. For example, Jacobson (1997) discussed how Chrysler captured best practices in engineering with their so-called “EBOK” and their university. As another example, APQC in conjunction with Arthur Andersen have built a taxonomy to facilitate capture of such best practices (e.g., O’Leary 2007). Similarly, PriceWaterhouseCoopers makes a set of best practices available to subscribers. A summary of some web addresses associated with knowledge bases of best business practices is provided in table 1.

<table>
<thead>
<tr>
<th>Table 1. Some Knowledge Bases of Best Business Practices</th>
</tr>
</thead>
<tbody>
<tr>
<td>Military</td>
</tr>
<tr>
<td><a href="http://www.jdmag.wpafb.af.mil/bestbusarmy.htm">http://www.jdmag.wpafb.af.mil/bestbusarmy.htm</a></td>
</tr>
<tr>
<td>APQC</td>
</tr>
<tr>
<td><a href="http://www.apqc.org/knowledge-base/topic">http://www.apqc.org/knowledge-base/topic</a></td>
</tr>
<tr>
<td>PWC</td>
</tr>
<tr>
<td><a href="http://globalbestpractices.pwc.com/Home/">http://globalbestpractices.pwc.com/Home/</a></td>
</tr>
</tbody>
</table>

**BBP at SYSCO**

BBP is available as a digital knowledge base at SYSCO. SYSCO employees (associates) can search the BBP for different best practices, e.g., metrics for delivery expense. BBP searches through the available best practices and provides different options, e.g., cases per truck. Employees can then check to determine if the best practices fit their particular entity (operating company – “OpCo”). In addition, from information in the knowledge base, they can determine a personal contact for further information. This discussion is summarized in figure 1, using delivery expense as an example.

![Figure 1: How Cisco Companies Use BBP (Stubblefield 2004)](image-url)
Paging Through BBP Screens

In practice at SYSCO, the best practices are accessed as part of the company intranet as seen in figure 2.

When business units perform in the top quartile in some area, they are encouraged to share the best practices they think got them there (Carrig and Wright 2006). At the best practices site, contributions are organized by functional attributes at the top of the page, and detailed drill down information about the functional area is provided on the left side as seen in figure 3. The page includes functional information differentiating Finance and Accounting, Human Resources (HR), Information Technology (IT), Merchandising, Operations, Sales and Marketing and Administration (Admin). Along the side of the page, there is detailed drill down for operations, including Warehouse, Facilities/Maintenance, Inbound, Inventory Control, Outbound and Slotting. Figure 3 contains best practices for Operations, and detail for Warehouse. Within the system, identifying information about a particular best practice includes, person who is expert regarding the practice, the submission status about the practice (e.g., has it been reviewed or not), the operating company that the expert is from and the average savings resulting from the best practice.

As noted in figure 4, the taxonomy, on which the BBP is based, was built by the “functional expert committee” (FEC). Further, as seen in figure 3 users can either edit a practice, provide feedback, FEC members can review it, information can be downloaded or the user can obtain alerts about the process.

As an example presentation of BBP in another functional area, figure 5 illustrates Sales and Marketing. In addition to the specific best practices, there is additional information available in the system, such as Success Stories, BBP of the Month, BBP focus area of the month, High Impact Area, Useful links and Practice Feedback.

Finally, figure 6 illustrates the potential for search and the kinds of items that might be searched for by a user within BBP. There are searches designed to connect people to people and people to knowledge in three different formats: People, Practice Documents and Power Packs. Practice documents could include checklists, flowcharts and other formats for capturing knowledge in documents. Power packs generally are a compilation of documents, presentations, competitive information, models, other specialized tools,
and a variety of other relevant business resources that can be used to actually implement the best practices.

Figure 3: BBP Version 1 (Stubblefield 2004)

Figure 4: BBP Version 2 (Lankford 2004)
Figure 5: Sales and Marketing (SYSCO 2006)

Figure 6: Search in BBP (Carrig 2005)
Evolution of BBP Screens

An analysis of figures 3 and 4 illustrates some of the evolution of BBP at SYSCO. The initial version of the knowledge base in figure 3 was changed to account for additional kinds of information, provided by associates and business units that used the best practice. In particular, the second version included information indicating the extent to which the best practice was a “Proven Practice,” “Proven Practice, with Limitations,” or a “Good Idea.” Similarly, version 2 had a user rating going from no rating at all (blank) to four or five stars, as was common at many Internet locations, such as Amazon.com. In addition, included in the later version was an estimate of the “Average $ Impact,” however, many best practices had no estimates as seen in figure 4.

BBP Contributions from SYSCO Departments

One test of the feasibility and quality of the BBP relates to the contributions and whether or not those contributions are increasing, decreasing or staying the same. There is some publicly available data regarding the use of the BBP database (Carrig 2005). In 2004 there were 530 best practices in the system, while in 2005 there were 1,100 best practices. Further, in 2004 there were 1,050 downloads of information from the BBP database, while in 2005 there were 3,500. Thus, knowledge in the system is increasing and the number of use instances is increasing, both substantially. The relative number of contributions of particular functional areas in terms of submission is summarized below in table 2.

<table>
<thead>
<tr>
<th>Functional Area</th>
<th>Percent of Contributions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operations</td>
<td>31.88%</td>
</tr>
<tr>
<td>Sales &amp; Marketing</td>
<td>25.65%</td>
</tr>
<tr>
<td>Finance and Accounting</td>
<td>17.10%</td>
</tr>
<tr>
<td>IT</td>
<td>10.00%</td>
</tr>
<tr>
<td>HR</td>
<td>8.55%</td>
</tr>
<tr>
<td>Merchandising</td>
<td>6.82%</td>
</tr>
<tr>
<td>Total</td>
<td>100.00%</td>
</tr>
</tbody>
</table>

Another measure of the importance of contributions is whether individuals monitor the impact of their contributions and communicate the impact to others. As an example, one manager (Francis 2010) communicated on his “LinkedIn” page that he had submitted two best business practices that were later adopted “throughout the entire organization.”

Organization and Use of BBP at SYSCO

Organizationally, SYSCO has a Sr. Director of Best Business Practices, directing the best business practice efforts (e.g., SYSCO 2007). BBP contributions are reviewed and rated by peers (associates) and the FEC (Functional Expert Committees). For example, there is a “finance expertise committee” charged with accounting and finance best business practices (SYSCO 2006b). In addition, FEC are used as a filter for the knowledge used in the BBP database, reviewing the best practices for their contributions.

There is a BBP representative at each company in SYSCO fostering a matrix organization-like structure of BBP. Although typically, staff is responsible for generating and evaluating best practices, those practices are signed off on by those representatives before they are submitted to functional experts.

Apparently, BBPs are not just passively listed on a web site. Best practices are discussed in the weekly staff (associate) meetings. In particular, BBP are used for meeting current “economic challenges and opportunities” (SYSCO 2006). BBP appear to be ingrained in SYSCO, since they are described as not only an “enabler,” but “a way of life.” Best practices are used to provide economic challenges/opportunities to business units.
SYSCO (2006) notes that when considering BBP, each associate has two roles: user and advocate. As users, associates are asked to use BBP and benefit from its use. Associates are also asked to contribute to the system. Further, associates are asked to provide feedback, addressing how beneficial the practices are and how they might be improved. As an advocate, associates are asked to help associates identify what best practices might be submitted, and which best practices should be implemented in their companies. Associates in the position of advocates are asked to help organizations to take the best practices “deep within the organization.”

**Measurable Effects of BBP**

SYSCO has measured the effects of the BBP knowledge base in at least two different ways. First, BBP has led to a change in processes used by different companies in SYSCO, and has had positive effects on operational measures. Second, BBP has had an effect on financial measures, and led to actual decreases in expenses.

**Operational Effects of BBP**

Use of BBP provides enterprises such as SYSCO, with independent companies, the opportunity to “move” those companies in particular directions, with respect to the processes. As another example, the use of the BBP for reducing shrink apparently was a company-wide effort that led to substantial improvement in some business units, as seen in figure 7. In settings such as this, without requiring adoption of particular processes, independent units may still adopt the same processes as they see process improvement by other entities. Thus, providing BBP puts SYSCO in the position of facilitating harmonization of business processes and workflow between independent business units, in addition to continuous improvement. As another example, Carrig and Wright (2006) note that accidents went down by 20% in just two months after BBP were published.

---

**Figure 7: Example Impact of Use of BBP (Carrig 2005)**
Expense Reduction from BBP

"The sharing of best business practices ... contributed to the strong third quarter results," CEO Richard Schnieders.

Apparently, there has been substantial concern from top management about the specific contribution of the BBP and technology, in general. Further, the contribution ultimately apparently was measured internally at a particularly fine level of detail and discussed in the public press and in accounting disclosures over at least a five year time period 2003-2008. For example, in 2003, Thomas E. Lankford, SYSCO's president and chief operating officer, at the time, noted “the use of best business practices and technology systems resulted in a 42 basis point reduction in operating expenses at our operating companies as a percent of total sales during the fourth quarter.”

Further, in 2004 Richard J. Schnieders, SYSCO's chairman and chief executive officer noted “while we can't control inflation and its effects or the consumer spending cycle, we can control our expenses and we will be renewing our focus in the area of expense controls during fiscal 2005. These controls include a short-term hiring freeze, continued benchmarking of our operations and the ongoing sharing of best business practices at our companies.” Also in 2004, SYSCO management praised the notion of sharing their best business practices for reducing expenses and other issues.

In addition, in 2005, Richard J. Schnieders, noted "Our operating expenses as a percent to sales declined 59 basis points in the second quarter primarily as a result of the knowledge and other benefits that our technology systems continue to provide and our efforts to share best business practices at all 145 SYSCO distribution facilities." In 2005, it was estimated that roughly $5 million in savings was generated as a result of sharing best business practices.

Additional information is provided in SYSCO's 10-K in 2006, where it was noted that “The company's investment in warehousing and transportation technology and the implementation of best business practices allows SYSCO to leverage operating expenses relative to sales growth.”

Finally, as noted in SYSCO’s 2008 “Earnings Call Transcript” “As we begin the second half of fiscal 2008, we are focused on continuing to increase our market share and improving productivity throughout the company by executing best business practices and carrying out our strategic business initiatives.”

Organizational Impact of Best Practices

Since SYSCO employs a decentralized organizational structure that allows substantial autonomy among the different business units, there are a wide range of approaches used for the same business processes and workflow in each of the units, which have developed over time. Further, because the business units are independent, there is limited information flow about different processes between the different units. In addition, there is no direct program designed to force the business units to adopt the same business processes.

However, BBP provides knowledge that allows different companies in SYSCO to see what other SYSCO companies are doing. Further, since SYSCO companies ultimately are compared against each other, BBP provides a vehicle to view those companies adopting or not adopting best practices and the ultimate impact on their performance.

BBP also is touted as a source of knowledge, not only for business units, but also for associates, so that they are able to do their job better and more efficiently. Associates can find a range of information about different processes and procedures or other topics. Accordingly, BBP is set as one of the key links on SYSCO.net (e.g., figure 2).
Next Steps and Emerging Issues for SYSCO

Top level management had seen the financial and operational effects of BBP and apparently had bought-in. Further, as noted by Carrig and Wright (2006), a high level of trust had led associates/staff to embrace BBP and the changes associated with BBP. Top management was depending on associates to generate and use knowledge in BBP. What did this say about management’s attitude toward the associates and their “management philosophy?” Was this typical for knowledge management systems?

As BBP became more and more developed, it became apparent that some supervisors apparently did not buy-in to the use of the BBP knowledge base, causing a potential stumbling block to BBP adoption (Carrig and Wright 2006). Why might supervisors not buy into BBP? How could SYSCO keep the ball rolling and get further buy-in, across the organization?

Operating companies seemed to be using BBP, but how could SYSCO be sure that its many companies would continue to use BBP? What was making it work at SYSCO? Would this same approach work in other settings besides SYSCO?

After generating such a database for internal usage, a next step was to examine the potential for using the same type of technology and forums for their business partners. Did it make sense to extend such discussions beyond the company? Would it make sense for SYSCO to open up their BBP knowledge base to partners? Would the same payoff be there for the supply chain? Using BBP had brought business benefit to SYSCO, but should they take it a step (or more) further?

Finally, recently it was announced that SYSCO would be implementing the enterprise resource planning system SAP (e.g., SAP 2010). As part of that announcement, SYSCO indicated that it would be replacing their many stand-alone transaction processing systems at the individual companies, with a single integrated system based on SAP. Would this have an impact on BBP and capturing and disseminating best business practices at SYSCO?

Acknowledgements

The author would like to thank the referees and the Track 11 chairs for their comments on an earlier version of the paper.

References

Johnson, S., 2004. “Why you may want (or may not) want to consider (lower or middle market) LBO,” Presentation to the International Executive Resources Group.
SAP, 2010, “SYSCO has selected SAP to help transform its business,” May 5,  
Schnieder, C., The New Human Capital Metrics, February 15, 2006, CFO.com,  
SYSCO, 2006. “Tarwater Appointed Executive Vice President of SYSCO Food Services of Baltimore, LLC,” June 22.
ftp://www.odccwd.state.or.us/GovPartners/Curriculum/ComboHandbook_12-30-02.pdf